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ONE HUNDRED NINTH CONGRESS

# Congress of the United States

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### STATEMENT OF REP. HENRY A. WAXMAN DEMOCRATIC POLICY COMMITTEE HEARING ON CONTRACTING ABUSES IN IRAQ JUNE 27, 2005

Thank you, Senator Dorgan, for inviting me to co-chair this important hearing. Today's witnesses have significant testimony about an important issue that is not getting enough attention: the mounting evidence of waste, fraud, and abuse by private contractors operating at taxpayer expense in Iraq.

We are also releasing a report today. Our report examines the spending and billing practices of the largest private contractor operating in Iraq: Halliburton.

As we document in the report, government auditors are now challenging over \$1.4 billion in Halliburton billings. Army auditors found that Halliburton "inflated" its cost estimates, charged "excessive costs," billed for equipment that "wasn't necessary," and submitted millions of dollars in "duplicate costs."

Halliburton leads the pack in gouging the taxpayer. But under this Administration, it has company. Over the last four and a half years, the Administration has misspent literally billions of dollars on wasteful and ineffective federal contracts. Private contractors are raking in millions, but taxpayers are getting soaked.

Administration officials have lots of excuses. In a recent *Los Angeles Times* article, one U.S. official argued that the Administration's reconstruction process has "not been a waste of money so much as an expensive lesson learned for all parties involved."

I don't accept this. And the taxpayer shouldn't either.

Senator Dorgan and I have been doing oversight work on Halliburton's Iraq contracts for the last two years. We have raised red flag after red flag about Halliburton's egregious overpricing. Yet every time we brought evidence of overcharging to the attention of Administration officials, we were ignored, contradicted, or offered false assurances.

Congressman John Dingell and I started raising questions about Halliburton's inflated gasoline charges in October 2003. The Administration ignored these warnings for months. In

fact, they claimed that Halliburton “obtained adequate price competition for the delivery of gasoline to Iraq.”

These false assurances were expensive. They cost the taxpayer millions. We now know from Defense Department auditors that Halliburton’s unreasonable fuel costs ballooned to over \$170 million.

In December 2003 and January 2004, auditors found that Halliburton couldn’t manage its costs and advised the Corps of Engineers not to enter into another contract with Halliburton. But they received the same brush-off. The Administration response was, “We have our own internal audit process [and we] haven’t turned up any serious wrongdoing or major problems.”

I have a simple message for the Administration: over \$1.4 billion in questioned and unsupported billings is a major problem.

A courageous former Halliburton employee, Marie de Young, came before the House Government Reform Committee to warn that Halliburton was charging \$45 for cases of soda and \$100 for bags of laundry. Republicans on our Committee said she was “naïve,” “inexperienced,” and “flat out wrong.” They even derided her openly, saying “her math skills leave a little to be desired.”

But we now know from Army auditors that Ms. de Young was right after all.

Time and time again, the Administration told us that everything was fine. The system was working. No one was fleecing the taxpayer. Meanwhile, the unreasonable charges were mounting. They’re still mounting after two years.

Whether the explanation is gross incompetence or deliberate malfeasance, the result is the same: taxpayers are being bilked.

Perhaps the biggest myth of all is that Halliburton has received no special treatment. In fact, our report identifies eight specific instances of preferential treatment:

- In late 2002, the Administration violated federal law when it awarded Halliburton the contract to plan for the takeover of Iraq’s oil fields.
- In March 2003, the Administration awarded Halliburton a five-year, no-bid contract to restore Iraq’s oil infrastructure over the objections of the senior career procurement official, Ms. Greenhouse.
- In December 2003, the Administration waived the requirement that Halliburton turn over cost and pricing data for its importation of fuel from Kuwait.
- In January 2004, the Administration ignored warnings from Pentagon auditors and awarded Halliburton another \$1.2 billion oil contract.

- In August 2004, the Administration rejected strenuous auditor recommendations to withhold payments from Halliburton.
- In October 2004, the Administration hid Halliburton's unreasonable fuel costs from international auditors.
- In April 2005, the Administration dismissed auditor findings of excessive meal charges and tripled the company's profit for its dining hall work.

And just this month — despite the \$1.4 billion in unacceptable billings — Halliburton was awarded two new contracts worth up to \$1.75 billion.

This special treatment must end. We need more accountability and fewer excuses. We need honest and effective oversight, not more false assurances.

If Congress and the Administration fail to act, it will be our service members in Iraq who ultimately pay the price. As yesterday's *New York Times* revealed, about half of the Army's 20,000 Humvees have improvised shielding that leaves their undersides unprotected. And only one in six Humvees used by the Marines is fully armored.

Our priorities are backwards. The billions being squandered on Halliburton and other profiteering private contractors should be used to protect our troops.

In closing, let me commend Senator Dorgan for holding today's hearing. His efforts are helping to fill an enormous oversight vacuum. And the witnesses here today have important insights into how we've arrived at our current predicament. I look forward to their testimony.